

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE**

**AUDIT REPORT**

**JUNE 30, 2012**

Prepared by:

Dale C. Isabell, CPA

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## **INTRODUCTORY SECTION**

**THE INDUSTRIAL DEVELOPMENT BOARD OF CLAIBORNE COUNTY  
BOARD MEMBERS**

**BOARD MEMBERS AND OFFICERS**

<i>Chairman:</i>	Rob Barger
<i>Vice Chairman:</i>	Roger Ball
<i>Secretary</i>	Glenn Fultz

**BOARD MEMBERS**

Eugene Bundren  
Danny Stone  
Jared Palazzola  
John Schneider  
Bill Dunavant  
Eddie Overholt

## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Industrial Development Board of  
Claiborne County, Tennessee

I have audited the accompanying financial statements of the governmental activities and the General Fund of The Industrial Development Board of Claiborne County, Tennessee (an Industrial Development Corporation) as of and for the period July 1, 2008, through June 30, 2012, which collectively comprise the board's financial statements as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of Claiborne County, Tennessee's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of The Industrial Development Board of Claiborne County, Tennessee, as of June 30, 2012, and the respective changes in financial position thereof for the period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 9, 2012, on my consideration of The Industrial Development Board's of Claiborne County, Tennessee, internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. In accordance with OMB Circular A-133, I have also issued my report dated November 9, 2012, on my consideration of the Industrial Development Board of Claiborne County system's internal control over major programs and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. These reports are an integral part of an audit performed in accordance with government auditing standards and should be considered in assessing the results of my audit.

*Dale C. Isabell, CPA*

November 9, 2012

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

This discussion and analysis is intended to be an easily readable analysis of the Industrial Development Board of Claiborne County, Tennessee (Board) financial activities for the period July 1, 2008 through June 30, 2012, based on currently known facts, decisions or conditions. This analysis focuses on activities for the period and should be read in conjunction with the financial statements following.

**Report Layout**

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide financial statements, fund financial statements, and the notes to the financial statements. Included in the statements are the statement of net assets and the statement of activities and changes in net assets. The Board's activities are all governmental type activities and include basic economic development services and administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Board.

**Basic Financial Statements**

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets of the Board, the liabilities it owes, and the net difference. The net difference is further separated into amounts invested in capital assets and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of the Board's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by the general revenues.
- Fund financial statements focus separately on governmental funds. Governmental fund statements follow the more traditional presentation of financial statements.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Board's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

**Board as a Whole**

**Government-wide Financial Statements**

A condensed version of the Statement of Net Assets follows:

### Net Assets at Year-end

	<u>2012</u>	<u>2008</u>
Cash and investments	\$338,623.77	\$411,234.00
Receivables	746,526.77	3,642.00
Capital assets, net of depreciation	<u>504,504.00</u>	<u>555,188.00</u>
Total assets	<u>\$1,589,654.54</u>	<u>\$970,064.00</u>
Current liabilities	\$39,177.73	\$7,396.00
Long-term liabilities	<u>670,619.00</u>	<u>-0-</u>
Total liabilities	<u>\$709,796.73</u>	<u>\$7,396.00</u>
Net assets:		
Invested in capital assets, net of Related debt	\$504,504.00	\$555,188.00
Unrestricted net assets	<u>375,353.81</u>	<u>407,480.00</u>
Total Net Assets	<u>\$879,857.81</u>	<u>\$962,668.00</u>

The net assets decreased \$82,810.19 net of prior period adjustment which resulted from expenses for economic development. See notes to financial statements for prior period adjustment.

A condensed version of the Statement of Activities follows:

### For the Period Ended

	<u>2012</u>	<u>2008</u>
Revenues		
Program revenues		
Operating grants and contributions	\$1,089,758.45	\$-0-
General Revenue		
Hotel Motel Tax	\$100,695.20	\$34,816.00
Sales-Type Lease Income	796,796.25	-0-
Lease Rentals	-0-	135,645.00
Interest Income	32,328.86	-0-
Miscellaneous	13,701.42	6,100.00
Other Sources-Bond Proceeds	<u>-0-</u>	<u>996,421.00</u>
Total General Revenues	<u>\$943,521.73</u>	<u>\$1,172,982.00</u>
Expenses		
Economic development	\$2,156,392.14	\$1,070,146.00
Debt Service	<u>20,686.42</u>	<u>.00</u>
Total Expenses	<u>\$2,177,078.56</u>	<u>\$1,070,146.00</u>
Change in net assets	(143,798.38)	102,836.00
Beginning net assets adjusted	<u>1,023,656.19</u>	<u>859,832.00</u>
Ending net assets	<u>\$879,857.81</u>	<u>\$962,668.00</u>



## **Financial Analysis of the General Fund**

The General Fund is the chief operating fund of the Board. At the end of the current fiscal year, the fund balance of the General Fund was \$337,747.70 of which \$337,747.70 is unassigned.

The General Fund Balance of the Board decreased by \$69,732.30 net of prior period adjustment during the current fiscal year. This decrease related primarily to the expenses for Economic Development.

## **Capital Assets and Debt Administration**

### **Capital Assets**

At June 30, 2012 the Board had \$504,504.00 invested in Capital Assets consisting of Buildings.

	<b>Capital Assets at Year-end</b>	
	<u>2012</u>	<u>2008</u>
Capital assets, net	<u>\$504,504.00</u>	<u>\$555,188.00</u>

The capital assets decreased by \$50,684.00 during the four-year period ending June 30, 2012, resulting from accumulated depreciation.

## **Economic Factors for Next Year**

The board looks to a very favorable 2012-2013 fiscal year.

The Board's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Board's finances and to demonstrate the Board's accountability.

## EXHIBIT A

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Assets:**Current Assets:

Cash with Trustee	\$338,623.77
Accounts Receivable	37,301.66
Notes Receivable – Current	<u>1,000.00</u>

*Total Current Assets* \$376,925.43

Non-Current Assets:

Sales-Type Lease Receivable	\$706,225.11
Notes Receivable	<u>2,000.00</u>

*Total Non-Current Assets* \$708,225.11

Capital Assets:

Assets Net of Depreciation:	
Buildings	<u>\$504,504.00</u>

**Total Assets** **\$1,589,654.54**

**Liabilities and Net Assets:**Liabilities:Current Liabilities:

Accounts Payable	\$39,177.73
<i>Total Current Liabilities:</i>	<u>\$39,177.73</u>

Long-Term Liabilities:

Notes Payable	\$670,619.00
<i>Total Long-Term Liabilities</i>	<u>\$670,619.00</u>

**Total Liabilities** **\$709,796.73**

## Net Assets:

Investment in Capital Assets, Net of Depreciation & Related Debt	\$504,504.00
Unrestricted Net Assets	<u>375,353.81</u>

**Total Net Assets** **\$879,857.81**

**TOTAL LIABILITIES AND NET ASSETS** **\$1,589,654.54**

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT B

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD JULY, 1 2008 THROUGH JUNE 30, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets Government Activities
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
Economic Development	\$2,156,392.14	\$-0-	\$1,089,758.45	\$0.00	(\$1,066,633.69)
Debt Service	<u>20,686.42</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,686.42)</u>
<b>Total Governmental Activities</b>	<b><u>\$2,177,078.56</u></b>	<b><u>\$-0-</u></b>	<b><u>\$1,089,758.45</u></b>	<b><u>\$0.00</u></b>	<b><u>(\$1,087,320.11)</u></b>
 <b>GENERAL REVENUES:</b>					
HOTEL/MOTEL TAX					\$100,695.20
Sales-Type Lease Income					796,796.25
Interest Income					32,328.86
Miscellaneous					<u>13,701.42</u>
 <b>Total General Revenues</b>					 <b><u>\$943,521.73</u></b>
 <b>Change In Net Assets</b>					 <b>(\$143,798.38)</b>
<b>NET ASSETS Beginning</b>					<b>962,667.99</b>
<b>Prior Period Adjustment to Beginning Net Assets</b>					<b><u>60,988.20</u></b>
<b>Net Assets- Ending</b>					<b><u>\$ 879,857.81</u></b>

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C1

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2012**

**ASSETS:**

Current Assets:

Cash With Trustee	\$338,623.77
Accounts Receivable	37,301.66
Notes Receivable	<u>1,000.00</u>

Total Current Assets \$376,925.43

**TOTAL ASSETS \$376,925.43**

**LIABILITIES AND FUND BALANCES:**

Liabilities:

Current Liabilities:

Accounts Payable	<u>\$39,177.73</u>
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Total Current Liabilities \$39,177.73

Total Liabilities \$39,177.73

Fund Balances:

Unassigned Fund Balance	<u>\$337,747.70</u>
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Total Fund Balances \$337,747.70

**TOTAL LIABILITIES AND FUND BALANCES \$376,925.43**

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C2

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Fund Balances – Total Governmental Funds** **\$337,747.70**

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

- |  |                 |
|--|-----------------|
| (1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 504,504.00      |
| (2) Sales-Type Lease Receivable  | 706,225.11      |
| Non-Current Related Notes Payable  | (670,619.00)    |
| (3) Non-Current Notes Payable  | <u>2,000.00</u> |

**NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **\$879,857.81**

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C3  
**THE INDUSTRIAL DEVELOPMENT BOARD OF  
 CLAIBORNE COUNTY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2012**

**Revenues**

Taxes:	
Hotel Motel Tax	\$100,695.20
Total Taxes	<u>100,695.20</u>
Intergovernmental Revenues:	
Fast Track Grant-State of Tennessee	567,348.64
EDI Grant- State of Tennessee	111,026.20
ARC Grant	<u>129,383.61</u>
Total Intergovernmental Revenues	<u>807,758.45</u>
Compensation For Loss Sale Or Damage To Property:	
Sales-Type Lease Income	<u>90,571.14</u>
Total Compensation For Loss Sale or Damage To Property	<u>90,571.14</u>
Revenue From Use of Money or Property:	
Interest Income	<u>32,328.86</u>
Total Revenues From Use of Money or Property	<u>32,328.86</u>
Other Local Revenues:	
Contributions-Walter State	250,000.00
Contributions-Harrigate	30,000.00
Miscellaneous Revenues	<u>13,701.42</u>
Total Other Local Revenues	<u>293,701.42</u>
<b>Total Revenues</b>	<b>\$1,325,055.07</b>
<b>Other Sources:</b>	
Note Proceeds	<u><b>1,191,000.00</b></u>
<b>Total Revenues and Other Sources</b>	<b>\$2,516,055.07</b>

**Expenditures:**

Economic Development:	
Contract Services-Administration,	\$1,993.50
Auditing and Accounting Fees	9,000.00
Chamber of Commerce	143,294.37
Construction and Purchase of Building	1,948,036.48
Other Charges	1,053.23
Trustee's Commission	<u>2,330.56</u>
Total Economic Development	<u>\$2,105,708.14</u>
Debt Service:	
Principal On Notes	\$520,381.00
Interest On Notes	<u>20,686.42</u>
Total Debt Service	<u>\$541,067.42</u>
<b>Total Expenditures</b>	<b><u>\$2,646,775.56</u></b>
<b>Total Revenues and Other Sources Over or (Under) Expenditures</b>	<b>(130,720.49)</b>
<b>Fund Balance July 1, 2008</b>	<b>407,480.01</b>
<b>Prior Period Adjustment Beginning of Year</b>	<b><u>60,988.20</u></b>
<b>Fund Balance June 30, 2012</b>	<b><u>\$337,747.70</u></b>

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C4

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUND TO THE STATEMENT  
OF ACTIVITIES  
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2012**

**Net Changes In Fund Balances – Governmental Fund (Exhibit C3)** (\$130,720.49)

Amounts reported for governmental activities in the Statement of  
Activities (Exhibit B) are different because:

- (1) Governmental funds report capital outlay as expenditures.  
However, in the Statement of Activities, the cost of these  
assets is allocated over their useful lives and reported as  
as depreciation expense. The amount that capital outlays  
differ from depreciation is itemized as follows:

Add: Capital Outlays in the current period	0.00	
Less: Current year depreciation	(50,684.00)	(50,684.00)

- (2) Revenues in the statement of activities that do not provide  
Current financial resources are not reported as revenues  
in the funds net of related long-term debt.

For the year ended June 30, 2012	<u>37,606.11</u>
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**Change in Net Assets of Governmental Activities (Exhibit B)** **(\$143,798.38)**

*The accompanying notes are an integral part of these financial statements.*

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2012**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The Industrial Development Board of Claiborne County is formed under the authority contained in Sections 7-53-101 Tennessee Code Annotated and is vested with all of the powers granted therein. The purpose of the organization of the Industrial Development Board is to acquire, own, lease, and dispose of properties and thus promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in Claiborne County.

The Industrial Development Board of Claiborne County, Tennessee, is governed by a board of nine members appointed by the County Commission of Claiborne County, Tennessee. There are no organizations requiring consideration for inclusion in the Industrial Development Board's financial reporting entity.

The Industrial Development Board is determined to be a component unit of Claiborne County, Tennessee, the primary government.

***Basis of Presentation – Government-Wide Financial Statements***

The government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. They include all funds of the financial reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

***Basis of Presentation – Governmental Fund Financial Statements***

Governmental fund financial statements of the Industrial Development Board are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a set of self balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund* – The General Fund is the only fund of the Industrial Development Board and is always classified as a major fund. All activities of the Industrial Development Board are accounted for in the General Fund.



**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2012**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

***Measurement Focus***

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the government-wide statement of net assets and the statement of activities governmental activities are presented using the “economic resources” measurement focus. Accordingly, all of the Industrial Development Board’s assets and liabilities, including capital assets, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets.

In the fund financial statements the “current financial resources” measurement focus or “economic resources” measurement focus is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

***Basis of Accounting***

Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

In the government-wide statement of net assets and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred or economic asset used. The types of transactions reported as program revenues for the Industrial Development Board are reported in three categories: (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Rental income, while susceptible to accrual, is recorded as revenue when received because amounts are not materially different. Investment earnings are recorded when earned since they are measurable and available. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2012**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

***Restricted Assets***

When applicable, the Industrial Development Board elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

***Government-Wide Net Assets***

Equity is classified as net assets and displayed in the following three components, if applicable:

*Invested in Capital Assets, net of related debt* – Consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – Consists of net assets for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

*Unrestricted* – All other net assets that do not meet the description of the above categories.

***Governmental Fund Balance***

Equity is classified as fund balance and displayed in the following five components, if applicable:

*Non-spendable* – Such as fund balance associated with inventories, prepaids, long-term loans and notes receivable. Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Consists of fund balance for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action by the Industrial Development Board of Directors.

*Assigned* – The Industrial Development Board has not adopted a policy for this component.

*Unassigned* – All amounts not included in other spendable classifications.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2012**

**NOTE 2: SALES-TYPE LEASE RECEIVABLE AND ASSOCIATED DEBT**

The Industrial Development Board of Claiborne County, Tennessee, entered into a Sales-Type lease agreement with Walters State Community College Foundation with payments starting August 2010 through September 2019. The total Sales-Type Lease Receivable as of June 30, 2012, was \$706,225.11. See schedule below. The present value used to compute interest income on this sales-type lease was 2.25%. The amount of income recognized in the Statement of Activities for the audit period is \$796,796.25 for sales-type lease income and \$32,328.86 for interest income on this transaction. The Industrial Development Board of Claiborne County, Tennessee, borrowed \$740,000.00 through Powell Valley Electric, a TVA interest free loan to be paid back starting October 2011 in amount of \$7,708.33 per month. As of June 30, 2012, \$670,619.00 was owed on this loan. The proceeds of this loan were used for improvements to property owned by the Industrial Development Board of Claiborne County, Tennessee, used as Walter State's campus. This loan is scheduled to be paid off in September 2019 and at that time property ownership will be transferred to Walters State Community College Foundation.

<b>Fiscal Year</b>	<b>Sales-Type Lease Receivable</b>	<b>Interest Income</b>	<b>Total</b>
FY/2013	84,906.88	15,093.12	100,000.00
FY/2014	94,996.02	13,003.98	108,000.00
FY/2015	97,155.60	10,844.40	108,000.00
FY/2016	99,364.27	8,635.73	108,000.00
FY/2017	101,623.19	6,376.81	108,000.00
FY/2018	103,933.43	4,066.57	108,000.00
FY/2019	106,296.22	1,703.78	108,000.00
FY/2020	17,949.50	50.50	18,000.00
Total	<b>\$706,225.11</b>	<b>\$59,774.89</b>	<b>\$766,000.00</b>

**NOTE 3: DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the Industrial Development Board's deposits may not be returned to it. Although the Industrial Development Board has not formally adopted a policy regarding collateralization of deposits, the Industrial Development Board follows collateralization requirements of State statutes.

**NOTE 4: INVESTMENTS**

State statutes authorize the Industrial Development Board to invest in obligations of the United States Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally-chartered banks and savings and loan associations, and money market funds approved by the state director of finance.

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF CLAIBORNE COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2012**

**NOTE 5: ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 6: PRIOR PERIOD ADJUSTMENT**

An adjustment was made for the beginning balance for cash in an outside bank accounts was left off the prior audit in amount of \$222,498.20. Another adjustment was made for liability owed Claiborne County in amount of \$161,510.00 that was not recorded as of July 1, 2008. This amount was paid back to Claiborne County during the Audit period. The net adjustment was increase of \$60,988.20 in beginning Fund Balance and Net Assets.

**NOTE 7: CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, and similar items) are reported in the government-wide type activity. Such assets are recorded at historical cost of estimated historical cost of purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or transfer

Capital asset activity for the period ended June 30, 2012, was as follows:

Governmental Type Activities:

Capital Assets Being Depreciated:

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	\$555,188.00	\$0.00	\$50,684.00	\$504,504.00

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2012**

**NOTE 8: LONG-TERM DEBT**

The Industrial Development Board of Claiborne County, Tennessee, has the following long-term debt as of June 30, 2012:

	<b>Beginning Balance</b>	<b>Debt Issued</b>	<b>Debt Retired</b>	<b>Ending Balance</b>
Notes Payable-Powell Valley Electric	-	740,000.00	69,381.00	670,619.00
Notes Payable-First Century Bank	-	451,000.00	451,000.00	-
<b>Total</b>		<b>\$1,191,000.00</b>	<b>\$520,381.00</b>	<b>\$680,619.00</b>

Schedule of Notes and Interest:

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012-2013	92,500.00	-	92,500.00
2013-2014	92,500.00	-	92,500.00
2014-2015	92,500.00	-	92,500.00
2015-2016	92,500.00	-	92,500.00
2016-2017	92,500.00	-	92,500.00
2017-2018	92,500.00	-	92,500.00
2018-2019	92,500.00	-	92,500.00
2019-2020	23,119.00	-	23,119.00
<b>TOTAL</b>	<b>\$670,619.00</b>	<b>-</b>	<b>\$670,619.00</b>

**NOTE 9: AT-RISK ACTIVITIES:**

The Industrial Development Board of Claiborne County, Tennessee, covers its at-risk activities under insurance policies.

**NOTE 10: RELATED PARTY TRANSACTIONS**

There were no related party transactions during the audit period.

**NOTE 11: BUDGET**

The Industrial Development Board of Claiborne County, Tennessee's budget operation was generally sound for the four-year period. The budget is adopted and controlled by the Industrial Development Board of Directors. The control level is by Board of Directors and is managed and reported at that level. No budget is presented for the four-year period.

EXHIBIT D1

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
SCHEDULE OF CHANGE IN LONG-TERM DEBT  
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2012**

**GENERAL FUND:**

	<b>Beginning Balance</b>	<b>Debt Issued</b>	<b>Debt Retired</b>	<b>Ending Balance</b>
Notes Payable – Powell Valley Electric	-	740,000.00	69,381.00	670,619.00
Notes Payable – First Century Bank	-	451,000.00	451,000.00	-
Total	-	\$1,191,000.00	\$520,381.00	\$670,619.00

EXHIBIT D2

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE  
SCHEDULE OF INSURANCE AND BOND COVERAGE  
JUNE 30, 2012**

<b>Carrier</b>	<b>Policy Number</b>	<b>Coverage Period</b>	<b>Limitations</b>
	Claiborne County Policy	June 30, 2012	Not Available

# EXHIBIT D3

## THE INDUSTRIAL DEVELOPMENT BOARD OF CLAIBORNE COUNTY, TENNESSEE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2012

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
<u>State Grants</u>			
Fasttrack Infrastructure Development Program (FIDP) – State Department of Economic and Community Development	N/A		\$567,348.64
Economic Development Incentive	N/A		111,026.20
United States Department of Housing and Urban Development ARC	23.002		129,383.61
Total State Grants			<u>\$807,758.45</u>

CDFA – Catalog of Federal Domestic Assistance

N/A – Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Fasttrack Infrastructure Development Program (FIDP) is a major program of which \$500,000.00 was received during fiscal year ending June 30, 2012.



## **SECTION II: INTERNAL CONTROL AND COMPLIANCE**

DALE C. ISABELL  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

November 9, 2012  
Board of Directors  
Industrial Development Board of  
Claiborne County, Tennessee

I have audited the financial statements of the governmental activities and the general fund of the Industrial Development Board of Claiborne County, Tennessee (an Industrial Development Corporation), as of and for the period July 1, 2008, through June 30, 2012, which collectively comprise the Industrial Development Board of Claiborne County, Tennessee's basic financial statements and have issued my report thereon, dated November 9, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

The management of the Industrial Development Board of Claiborne County, Tennessee, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Industrial Development Board of Claiborne County, Tennessee, internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of Claiborne County, Tennessee's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Industrial Development Board of Claiborne County, Tennessee's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did

not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether the Industrial Development Board of Claiborne County, Tennessee financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

*Dale C. Isabell, CPA*

Clinton, Tennessee  
November 9, 2012

DALE C. ISABELL

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 9, 2012  
Board of Directors  
Industrial Development Board of  
Claiborne County, Tennessee

**Compliance**

I have audited the compliance of the Industrial Development Board of Claiborne County, Tennessee (an Industrial Development Corporation), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the period July 1, 2008 through June 30, 2012. The Industrial Development Board of Claiborne County, Tennessee's major federal programs are identified in the Schedule of Findings and Questioned Costs on page 25 of this report. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Industrial Development Board of Claiborne County, Tennessee's management. My responsibility is to express an opinion on the Industrial Development Board of Claiborne County, Tennessee's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Industrial Development Board of Claiborne County, Tennessee's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Industrial Development Board of Claiborne County, Tennessee's compliance with those requirements.

In my opinion, the Industrial Development Board of Claiborne County, Tennessee, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal

programs for the period July 1, 2008 through June 30, 2012. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

### ***Internal Control Over Compliance***

The management of the Industrial Development Board of Claiborne County, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Industrial Development Board of Claiborne County, Tennessee, internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Industrial Development Board of Claiborne County, Tennessee's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, Board of County Commissioners, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

*Dale C. Isabell, CPA*

Clinton, Tennessee  
November 9, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**I. SUMMARY OF AUDITOR'S RESULTS**

**A. An unqualified opinion was issued on the basic financial statements of the Industrial Development Board of Claiborne County, Tennessee for the period July 1, 2008 through Jun 30, 2012.**

**B. Internal control over financial reporting:**

Material weakness(es) identified?                            yes                         x   no

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?                            yes                         x   none reported

**C. My audit disclosed no instances of noncompliance considered by me to be material to the financial statements.**

**D. Internal control over major programs:**

Material weakness(es) identified?                            yes                         x   no

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?                            yes                         x   none reported

**E. An unqualified opinion was issued for compliance for the Industrial Development Board of Claiborne County, Tennessee's major programs.**

**F. The audit disclosed no audit findings requiring reporting under Section .510(a).**

**G. I identified the following major federal assistance programs:**

**Fasttrack Infrastructure Development Program (FIDP) \$500,000**

**H. The auditee was determined to be a low risk auditee.**

**II. SUMMARY OF FINDINGS REPORTED AT THE FINANCIAL STATEMENT LEVEL**

None

**III. SUMMARY OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**INDUSTRIAL DEVELOPMENT BOARD OF  
CLAIBORNE COUNTY, TENNESSEE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**There were no prior period audit findings.**